

**TIC CONTRACT ADDENDUM
(GROUP FINANCING)**

The following terms and conditions are hereby incorporated in and made a part of the Contract for the Sale and Purchase of Real Property dated _____ for a _____% undivided interest in the property known as _____, California (the "Property") between _____, the Buyer, and _____, the Seller.

1. DISCLOSURES: Buyer understands and acknowledges the following very important things about this purchase:

- A.** The Property has not been divided into condominiums and Buyer is not buying a condominium. Buyer is buying an undivided percentage of an apartment building, and will co-own the Property with others as a tenancy in common. Buyer will not individually own any particular apartment, or obtain a deeded right to any particular area of the Property.

Buyer to print on lines below "I have read and understand Disclosure A above".

- B.** Tenant in common co-ownership is much more risky than condominium ownership. It is more like a partnership than it is like a condominium. Buyer will share many of the obligations and responsibilities of ownership with others, including the mortgage, property tax, and insurance. These costs must be paid in full even if one of the owners does not pay his/her share. If the shared costs are not paid in full and on time, the Property and Buyer's investment could be lost, Buyer's credit rating could be damaged, and under some circumstances the creditor could try to seize Buyer's other assets. These things could happen even if Buyer has paid his/her share of the cost, and even if the non-payment by the group is not Buyer's fault.

Buyer to print on lines below "I have read and understand Disclosure B above".

- C.** The right to use or rent out a particular apartment (and possibly other areas such as parking spaces, storage areas, decks etc.), along with the allocation of group costs, will be described in a a Tenancy In Common Agreement (a "TIC Agreement"). A TIC Agreement is a written contract that is binding because it is signed by all of the co-owners. Depending on the circumstances, it may not be binding on a co-owner who does not sign it, so it is essential to make sure that the TIC Agreement is signed by all of the current co-owners, and by each person who becomes a co-owner in the future. If one or more co-owner has not signed the TIC Agreement, Buyer may lose the right to use his/her assigned apartment, and have a variety of other serious problems.

Buyer to print on lines below "I have read and understand Disclosure C above".

- D.** Since Buyer will be relying on others to help pay the mortgage, property tax, and other group costs, it is essential that Buyer investigate the creditworthiness and financial strength of the other co-owners. The mortgage lender evaluates the collective financial

strength of the group, but not the individual financial strength of each co-owner in relation to his/her share of the costs. This means that a financially stronger co-owner can compensate for a financially weaker one, and the fact that the bank approved the loan does not mean each co-owner is really qualified to pay his/her share. Buyer agrees to take responsibility to investigate the creditworthiness and financial strength of the other co-owners. Buyer agrees that he/she will not rely on Seller, or any real estate agent or loan agent, to evaluate the creditworthiness and financial strength of the other co-owners, and will not hold Seller or any real estate agent or loan agent responsible if another co-owner cannot or does not pay his/her share of group costs or has difficulty qualifying for financing.

Buyer to print on lines below "I have read and understand Disclosure D above".

- E.** Although individual bank financing for TICs is currently available, there is no guarantee that it will be available in the future, or that Buyer's TIC group will successfully make the transition from group financing to individual financing (a transition that would need to be made by all co-owners at the same time). So when Buyer sells his/her TIC interest, the new buyer may not be able to get an individual mortgage loan to finance the purchase. Assuming the buyer cannot or does not get individual TIC financing, either the entire Property will need to be refinanced with a new group mortgage, or arrangements will need to be made with the existing mortgage lender. Refinancing may be expensive due to loan closing costs and/or higher interest rates, and these costs cannot typically be passed on to other non-selling co-owners. To lower the likelihood that refinancing will be necessary, it is advisable to obtain a mortgage loan that will allow a new buyer to be substituted for a seller in a resale. Buyer is also advised that lending and appraisal guidelines applicable to apartment buildings will affect the amount and terms of the group mortgage loan, and that these limitations may interfere with Buyer's ability to obtain all of Buyer's equity in cash at the time of resale.

Buyer to print on lines below "I have read and understand Disclosure F above".

2. OCCUPANCY RIGHTS: Buyer will be assigned the exclusive right to occupy unit #_____, along with the following other areas of the Property:

3. TIC AGREEMENT: Buyer acknowledges that he/she has been strongly advised to consult with an attorney familiar with tenancy in common ownership about this purchase and about the TIC Agreement. Buyer agrees that he/she will not rely on information or advice provided by Seller or any real estate or loan agent in evaluating the TIC Agreement or the tenancy in common aspects of the purchase or ownership of the Property, and will independently verify any such information or advice prior to accepting the TIC Agreement under any of the paragraphs below. Regardless of whether Buyer actually undertakes his/her own investigation and verification, under no circumstances will Buyer hold Seller or any real estate or loan agent responsible for the inaccuracy or incompleteness of information regarding the TIC Agreement or the tenancy in common aspects of the purchase or ownership of the Property. The appropriate paragraph below should be initialed and completed.

_____ Buyer Has Already Approved TIC Agreement: If this option is selected, a TIC Agreement has already been provided to Buyer, and Buyer has had the opportunity to review it him/herself and to consult with attorneys and other advisors about it. Buyer unconditionally approves of the TIC Agreement and agrees to execute it in its current form prior to close of escrow.

_____ Buyer Has Not Yet Approved TIC Agreement: If this option is selected, a TIC Agreement has been provided to Buyer, and Buyer has until _____ to notify Seller in writing that Buyer unconditionally approves of the TIC Agreement and agrees to execute it in its current form prior to close of escrow. If Buyer fails to provide such notification by the deadline, either Buyer or Seller may terminate this Contract.

_____ TIC Agreement To Be Created By Seller: If this option is selected, a TIC Agreement shall be provided to Buyer within fourteen (14) or _____ days, and Buyer shall have fourteen (14) or _____ days thereafter to notify Seller in writing that Buyer unconditionally approves of the TIC Agreement and agrees to execute it in the form provided prior to close of escrow. If Seller fails to provide a TIC Agreement by the deadline, or Buyer fails to provide such notification of approval by the deadline, either Buyer or Seller may terminate this Contract.

_____ TIC Agreement To Be Created By Buyer: If this option is selected, Buyer shall have fourteen (14) or _____ days to notify Seller in writing that Buyer has created and is willing to execute a TIC Agreement, or is willing to waive this contingency. If Buyer fails to provide such notification by the deadline, either Buyer or Seller may terminate this Contract.

Buyer to print on lines below either "I have consulted with (specify attorney name) about this purchase" or "I have decided not to consult with an attorney even though I know I should".

4. FINANCING: The provisions of this Section supersede any conflicting provisions elsewhere in the Contract. Buyer shall submit a completed loan application, credit report and any additional information requested by Seller to Seller within three (3) or _____ days of ratification. In the event that Seller does not approve Buyer's financial information within five (5) or _____ days of receipt of Buyer's loan application and credit report, then Seller may terminate this Contract. Seller is hereby authorized to share such information with lenders, mortgage brokers. The appropriate paragraph(s) below should be initialed and completed.

_____ New Senior Loan From Institutional Lender: If this option is selected, Buyer's obligations are conditioned upon both of the following two things occurring within thirty (30) or _____ days of ratification of this Contract: (i) All parties who will be owners of the Property at the time buyer closes escrow, collectively, obtaining a written loan commitment from an institutional lender in an amount equal to at least _____ percent (___%) of the appraised value of the Property as determined by such lender(s) for a term of no less than ____ (___) years, (___) fixed at no more than ____ percent per annum for a period of ____ years, or (___) adjustable with an initial rate of no more than ____ percent per annum, with a loan fee of not more than ____ points, and (ii) Buyer being allocated a debt service and repayment obligation (under the TIC Agreement) in a minimum amount of _____ . In the event either of these conditions is not satisfied, Buyer or Seller may terminate this Contract. Buyer agrees to participate in good faith in the processing of his/her loan application with any lender/mortgage broker selected by Seller or any other prospective purchaser of an interest in the Property. In the event of a conflict between Buyer and other parties who will be owners of the Property at the time buyer closes escrow regarding loan selection, Seller shall select the loan in his/her sole discretion provided that the loan selected must satisfy the conditions described in this paragraph.

_____ New Junior Loan From Institutional Lender: If this option is selected, Buyer's obligations are conditioned upon both of the following two things occurring within thirty (30) or _____ days of ratification of this Contract: (i) All parties who will be owners of the Property at the time buyer closes escrow, collectively, to obtain a

written loan commitment from an institutional lender in an amount equal to at least _____ percent (___%) of the appraised value of the Property as determined by such lender(s) for a term of no less than _____ (___) years, (___) fixed at no more than _____ percent per annum for a period of _____ years, or (___) adjustable with an initial rate of no more than _____ percent per annum, with a loan fee of not more than _____ points, and (ii) Buyer being allocated a debt service and repayment obligation (under the TIC Agreement) in a minimum amount of _____.

In the event either of these conditions is not satisfied, Buyer or Seller may terminate this Contract. Buyer agrees to participate in good faith in the processing of his/her loan application with any lender/mortgage broker selected by Seller or any other prospective purchaser of an interest in the Property. In the event of a conflict between Buyer and other parties who will be owners of the Property at the time buyer closes escrow regarding loan selection, Seller shall select the loan in his/her sole discretion provided that the loan selected must satisfy the conditions described in this paragraph.

_____ Existing Loan: If this option is selected, Buyer acknowledges that the Property secures a loan with an approximate remaining balance of _____ DOLLARS (\$ _____) in favor of _____ ("Bank"), and Buyer hereby certifies that he/she has reviewed the note and deed of trust associated with this loan and is willing to be bound by its terms. Buyer's allocated portion of a debt service and repayment obligation (under the TIC Agreement) for this loan shall be _____ percent. If this box is checked (___), Buyer's obligations hereunder are conditioned upon written approval by Bank of Buyer acquiring an ownership interest in the Property thirty (30) or _____ days of ratification of this Contract, and if this condition is not satisfied, Buyer or Seller may terminate this Contract. If this box is checked (___), Buyer's obligations hereunder are not conditioned upon written approval by Bank of Buyer acquiring an ownership interest in the Property, and Buyer acknowledges that he/she has investigated and evaluated the risk created by the absence of such approval.

_____ Seller Financing: If this option is selected, Buyer shall execute a note in favor of Seller in the amount of _____ DOLLARS (\$ _____) secured by a deed of trust on Buyer's interest in the Property, with an interest rate of _____, payable monthly at _____, with the entire balance of principal and interest due _____ (___) years from the date of the note. The note shall be assumable. Seller to provide Buyer, within five (5) or _____ days after the mutual execution of this Contract, all information regarding Seller Financing including but not limited to the SFAR Addendum - Assumption of Existing Loan/Seller Financing and Seller Financing Disclosure. Buyer to approve said financing within five (5) days of receipt of Seller's disclosure regarding Seller financing. If Buyer fails to provide notification of approval by the deadline, either Buyer or Seller may terminate this Contract.

If requested by any prospective lender, Buyer shall execute a combined purchase agreement summarizing the purchase prices and down payments for all persons applying for the loan. No provision of such an agreement shall supersede, modify or replace any provision of this Contract.

5. APPROVAL OF AND BY OTHER CO-OWNERS:

- A.** Seller is hereby authorized to share Buyer's loan application, credit report and any additional information requested by Seller, with existing co-owners and prospective co-owners. Buyer agrees to meet with existing co-owners and prospective co-owners within three (3) or _____ days of a written request to do so. In the event that any such person makes a reasonable, written objection to Buyer's participation in the co-ownership, Seller may terminate this Contract.
- B.** Buyer shall have the opportunity to review financial information for, and to meet, any existing co-owner or prospective co-owner. With regard to each existing co-owner and each prospective co-owner who has been identified on the date of ratification, the

“Review Period” shall extend for seven (7) or _____ days following ratification. For any each prospective co-owner identified after ratification, the “Review Period” shall extend for seven (7) or _____ days following written notification by Seller of the identity of the prospective co-owner. If Buyer makes a reasonable written objection to an existing co-owner or prospective co-owner within three (3) days following expiration of the “Review Period” for such co-owner, Buyer may terminate this Contract.

6. CLOSING AND TIME LIMITS:

_____ **Simultaneous Closing of Entire Property Required:** If this option is selected, the sale of this TIC interest is subject to the concurrent close of escrow of the entire Property. Close of Escrow to be within thirty (30) or _____ days of the date on which all co-tenancy interests in the Property are the subject of ratified contracts. If all co-tenancy interests in the Property are not the subject of ratified contracts within forty-five (45) or _____ days of ratification of this Contract, Buyer or Seller may terminate this Contract.

_____ **Early Release Clause:** If this option is selected, and Seller receives an offer to purchase the entire Property that Seller wishes to accept, Seller shall so notify Buyer in writing. If, within 48 hours following such notification, all co-tenancy interests in the Property are not the subject of ratified contracts with purchasers who have approved of, and been approved by, all other prospective purchasers, Seller may terminate this Contract.

7. ADDITIONAL DISCLOSURES: By initialing below, Buyer acknowledges receipt of the attached disclosures:

_____	_____
<i>Buyers Initials</i>	<i>Disclosure and Date of Revision</i>
_____	_____
<i>Buyers Initials</i>	<i>Disclosure and Date of Revision</i>
_____	_____
<i>Buyers Initials</i>	<i>Disclosure and Date of Revision</i>
_____	_____
<i>Buyers Initials</i>	<i>Disclosure and Date of Revision</i>
_____	_____
<i>Buyers Initials</i>	<i>Disclosure and Date of Revision</i>

8. ADDITIONAL TERMS AND CONDITIONS:

THE FOREGOING TERMS AND CONDITIONS ARE HEREBY AGREED TO AND THE UNDERSIGNED ACKNOWLEDGE RECEIPT OF A COPY OF THIS ADDENDUM.

Buyer DATE

Buyer DATE

Seller DATE

Seller DATE